

CONNECTICUT ASSOCIATION OF HEALTH CARE FACILITIES, INC.

February 20, 2014

Written testimony of Matthew V. Barrett, Executive Vice President of the Connecticut Association of Health Care Facilities (CAHCF), Inc. in Opposition to House Bill No. 5052 , AN ACT IMPLEMENTING THE GOVERNOR'S BUDGET RECOMMENDATIONS FOR HUMAN SERVICES PROGRAMS, Section 7.

Good afternoon Senator Slossberg, Representative Abercrombie and to the members of the Human Services Committee. My name is Matthew V. Barrett, Executive Vice President of the Connecticut Association of Health Care Facilities (CAHCF), our state's one hundred and sixty-seven (167) member trade association of skilled nursing facilities and rehabilitation centers. Thank you for this opportunity to offer testimony this afternoon in opposition to House Bill No. 5052 , AN ACT IMPLEMENTING THE GOVERNOR'S BUDGET RECOMMENDATIONS FOR HUMAN SERVICES PROGRAMS, Section 7.

Providers delivering services in the Medicaid should have some level of certainty in how their rates may be set under the law. The approach recommended in Section 7, which we oppose, would have the statute delegate almost completely the discretion to set rates to the Executive Branch based on the available appropriations each year. The underlying rate setting statute is almost completely repealed in the proposed bill. For example, the proposed bill abandons a statutory rate formula for how rates will be set altogether, whether it be in the area of how property reimbursement, such as fair rent, will be addressed in the rates. We believe that the rate formula should be detailed in this regard and that there are strong policy reasons for doing so. For example, with fair rent and moveable equipment as an example, the detailed rate formula will serve to actually encourage higher quality nursing homes by incenting investment in the facility infrastructure and resident equipment. Leaving how fair rent will be treated a mystery at the discretion of the agency will create insecurity and discourage property investment. Moreover, the bill would only allow fair rent adjustments if there was an approved certificate of need (CON), but only if authorized by the commissioner and only if within available appropriations. Thus, normal expenditures below the CON threshold would never be allowed. There would be absolutely no justification for a provider to incur capital expenditures knowing that there would be virtually no funding to cover the Medicaid portion of the cost. With regard to CON, a provider who has an approved CON and commits its own resources to fund the project (which can be millions of dollars) could end up with no adjustment for fair rent because the adjustment may simply be denied at the commissioner's discretion. In other words, DSS can approve the CON 100% then, after the project is completed, deny the related reimbursement 100%. This is very unfair to the provider community. Lending institutions already view Connecticut nursing facilities as high risk. This provision will worsen the situation. Lenders will be unwilling to provide financing unless there is some certainty about the reimbursement. Further we also believe the proposed statute would cause the rate determination process to be in violation with Section 17b-340(a). Section 17b-340(a) states, "Such rates shall be determined on a basis of a reasonable payment for such necessary services, which basis shall take into account as a factor the costs of such services."

The bill would only consider a provider's costs if it would cause a rate decrease. Costs rarely decrease; they generally increase – insurance, property taxes, utilities, wages and benefits, food cost for residents, etc. The bill would disregard such increases entirely and permanently. Finally, repealing the lion's share of 17b-340 does not implicate state expenditures for state fiscal year 2015. We are asking that the state legislature to assert it's legislative prerogative and adopt a law that will communicate to the provider community how rates will be set within the parameters of the adopted and authorize such a broad delegation of authority to the Executive Branch. Such a law would much more appropriately be adopted in the 2015 session of the Connecticut General Assembly. Section 7 of HB 5052 should be rejected this session.

I would be happy to answer any questions you may have.